



AR19

Annual Report for the year ended September 30, 1972









**holly owned subsidiaries**

**&C Yachts Manufacturing Ltd.**

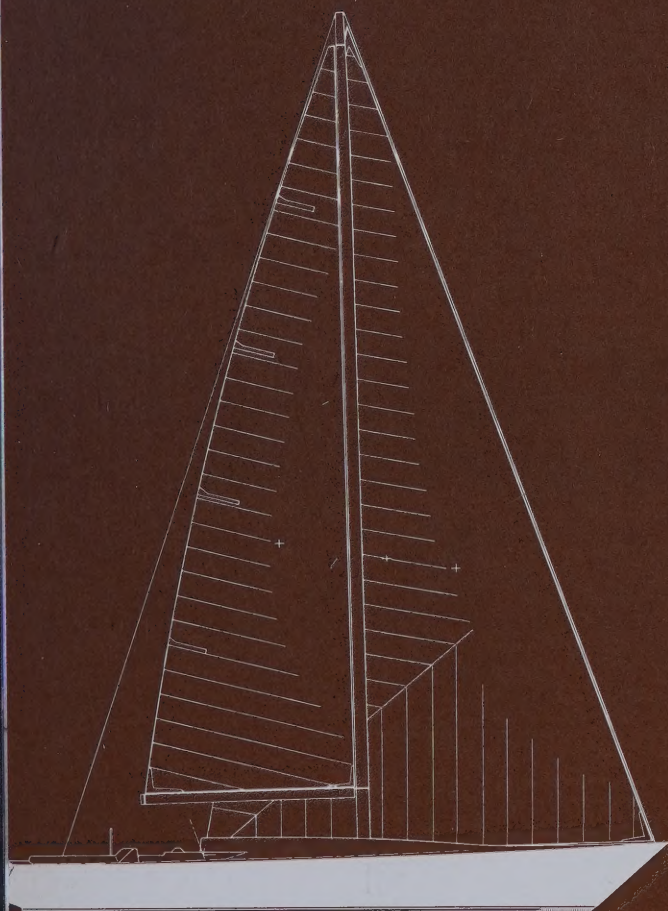
**&C Yacht Sales Ontario Ltd.**

**AR19**

**C&C**  
YACHTS

*co corp*

**Financial Report for the  
six months ended 31 March, 1972**



C & C designed and built twin sloops, Merrythought and  
Mirage — one will defend Canada's Cup for the R.C.Y.C.

**1st quarter**

**2nd quarter**



**Consolidated statement of earnings (unaudited)**

|  | 1972<br>\$ | 1971<br>\$ |
|--|------------|------------|
| Sales                                    | 2,047,833  | 1,500,039  |
| Cost of Sales                            | 1,506,053  | 1,129,518  |
| Gross Profit                             | 541,780    | 370,521    |
| Expenses — Selling                       | 129,062    | 117,430    |
| Administrative                           | 279,638    | 265,036    |
|  | 408,700    | 382,466    |
| Earnings (Loss) before income taxes      | 133,080    | (11,945)   |
| Provision for (Recovery of) income taxes | 63,613     | (6,380)    |
| Net Earnings (Loss) for the period       | 69,467     | (5,565)    |
| Net Earnings (Loss) per share            | 7¢         | (1¢)       |

**Consolidated statement of source and use of working capital (unaudited)**

|  | 1972<br>\$ | 1971<br>\$ |
|--|------------|------------|
| <b>Source of working capital</b>       |            |            |
| Net Earnings (Loss) for the period     | 69,446     | (5,565)    |
| Items not affecting working capital —  |            |            |
| Depreciation                           | 107,419    | 81,559     |
| Deferred income taxes                  | (18,550)   | —          |
| Provided from operations               | 158,315    | 75,994     |
| Bank loan                              | 140,000    | —          |
|  | 298,315    | 75,994     |
| <b>Use of working capital</b>          |            |            |
| Fixed assets                           | 284,991    | 200,941    |
| 7½ % mortgage instalments              | 1,248      | 1,248      |
|  | 286,239    | 202,189    |
| Increase (Decrease) in Working Capital | 12,076     | (126,195)  |

**To the Shareholders**

Sales for this period improved to \$2,047,833 from \$1,500,039 a year ago, or approximately 37%. Production has been at higher levels than shipping which has caused an increase in both raw and finished goods inventories, but these are expected to decrease substantially in the third quarter.

Improvements are noted in both gross and net margins and net profit after tax has increased to 7¢ per share; a good working capital position is enjoyed.

The volatile exchange rates are a continuing problem but have been hedged for most of this year's operations. Unfilled orders indicate sales will exceed \$6,000,000 and when coupled with improved margins should show much better earnings.

Ian F. Morch, P.Eng.,  
President,  
Port Credit, Ontario.

# C&C Yachts Limited

## 10 Front Street South Port Credit Ontario

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### WHOLLY OWNED SUBSIDIARIES

C&C Yachts Manufacturing Limited  
C&C Yacht Sales Ontario Limited

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### DIRECTORS & OFFICERS

|                          |                                    |
|--------------------------|------------------------------------|
| Taylor, Alan F B.        | Chairman of the Board and Director |
| Hinterhoeller, George A. | President and Director             |
| Bruckmann, Erich K L.    | Vice-President and Director        |
| Cuthbertson, George H.   | Vice-President and Director        |
| Lewis, Clifford W.       | Director                           |
| Morch, Ian F.            | Director                           |
| Sale, Robert R.          | Director                           |
| Brinsmead, Gordon W.     | Vice-President                     |
| Edwards, Moray C.        | Vice-President                     |
| Gray, John S.            | Secretary-Treasurer                |

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### AUDITORS

Messrs. McDonald, Currie & Co.,  
Chartered Accountants 120 Adelaide St. W., Toronto, Ontario

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### LEGAL COUNSEL

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy  
7 King St. E., Toronto, Ontario

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### TRANSFER AGENT & REGISTRAR

Royal Trust Company, Toronto & Montreal

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# Report of the president to the shareholders

The consolidated financial statements of C & C Yachts Limited and its subsidiary companies for the year ended September 30, 1972 and the report of the auditors are submitted.

I would like to make the following comments on the operations of the companies and the financial report.

## Financial

Sales showed an increase of 34% over the preceding year while selling and administration costs rose 6%. The net earnings increased 114% to \$411,997, or 43 cents per share. The cash flow from operations increased from 37 cents per share in fiscal year 1971 to 60 cents per share in 1972.

Inventories at September 30, 1972 were at \$1,389,831 compared with \$928,148 the previous year. The difference reflects the increase in sales and the volume of boats being built at this date. Similarly, the increase in deposits from customers from \$98,731 the previous year to \$254,702 represents an increase in customers orders on hand, particularly in custom boats.

## Corporate Reorganization

On December 31, 1971, the three companies, Hinterhoeller Ltd., Bruckmann Mfg. Ltd. and Cuthbertson & Cassian Ltd. were amalgamated to form C & C Yachts Manufacturing Ltd. Belleville Marine Yards Limited changed its name to C & C Yacht Sales Ontario Ltd. and purchased on the same date the retail dealership from its parent, C & C Yachts Ltd. Boat building operations in Belleville were discontinued during the fall of 1971. C & C Yachts Limited now functions only as a holding company.

## Production Boat Facilities

The plant expansion of 40,000 square feet at Niagara-on-the-Lake was completed early in 1972 and a further expansion is now under way to add some 10,000 square feet to the production lines.

The production boats built at Niagara continue to be well received by the boating consumer both from the standpoint of quality and cruising and racing success. Our designs and building techniques are under review to ensure that we will continue to build boats utilizing the most modern and economical construction methods.

## Custom Boats

The Custom Boat Division continues to produce boats of excellent quality that are competing successfully in the major North American regattas. A number of 43, 50 and 61 footers have been built and tooling is underway for a new 48 footer. In conjunction with the design office, plans are being developed for more "one of a kind" boats for the coming year.

## Design Office

During the year the C & C Yachts Design Group was involved in the design and development of the Canada's Cup Boats. In addition a redesigned model of the C & C 43 was produced and is being well received. Two new versions of the C & C 61 were developed and built, both of which contributed greatly to our increased sales.

## Marketing & Sales

The sale of production boats is directed from the Niagara-on-the-Lake office through our dealer network in Canada and the U.S.A. This dealer network has been consolidated and improved and a new dealer financial plan developed for U.S. dealers. This marketing plan has proved to be successful. Through this system we are currently marketing the C & C 25, 27, 30, 35 and 39.

The Custom Boat sales are handled directly from the design office at Port Credit. This system has worked well and the state of the order book for custom boats is excellent. We anticipate a most successful year.

## Future Developments

A manager for our European operations has recently been appointed. At present, two firms in Europe are producing C & C boats under franchise and we are currently studying the possibility of appointing more boat builders on the Continent. We feel that there is a great sales potential for certain of our designs in Europe and we will be taking steps to expand in this market.

Inasmuch as a large percentage of our shipments are into the U.S. we are cognisant of the fact that exchange rates and tariff barriers may affect our sales into this area. It is our conviction, however, that our sales will not be adversely affected by any action of the U.S. Government in the coming year and with the buoyant U.S. economy the level of our sales will remain very high.

I would like to express my appreciation to the shareholders for their continued support and interest and to the employees for their help and enthusiasm in making our product so successful.

Submitted by George A. Hinterhoeller, President



**C&C Yachts Limited and subsidiary companies****Consolidated balance sheet as at September 30, 1972**

| ASSETS   | 1972       | 1971      |
|--|------------|-----------|
| CURRENT ASSETS   |            |           |
| Cash and short-term deposits   | \$ 287,831 | \$ 49,049 |
| Accounts receivable (note 4)   | 397,407    | 590,734   |
| Inventories—at the lower of cost or net realizable value (note 2)                              | 1,389,831  | 928,148   |
| Prepaid expenses   | 21,913     | 23,869    |
|  | 2,096,982  | 1,591,800 |
| INVESTMENT—at cost (quoted value \$18,375; 1971—\$8,300)                                       | 100        | 100       |
| FIXED ASSETS (note 3)  | 1,393,305  | 1,194,767 |
| EXCESS OF COST OF SHARES IN SUBSIDIARY COMPANIES<br>OVER NET BOOK VALUE AT DATE OF ACQUISITION | 2,492,992  | 2,492,992 |
|  | 5,983,379  | 5,279,659 |

**AUDITORS' REPORT TO THE SHAREHOLDERS**

November 6, 1972

We have examined the consolidated balance sheet of C & C Yachts Limited and subsidiary companies as at September 30, 1972 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

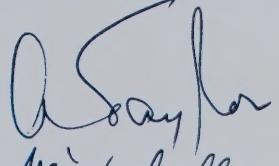
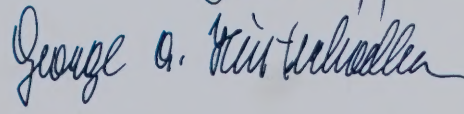
In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*McDonald, Currie & Co.* Chartered Accountants



| LIABILITIES   | 1972       | 1971      |
|---|------------|-----------|
| <b>CURRENT LIABILITIES</b>                                      |            |           |
| Bank loan—current portion—secured (note 4)                      | \$ 100,000 | \$ 50,640 |
| Accounts payable and accrued liabilities                        | 494,088    | 551,844   |
| Deposits from customers   | 254,702    | 98,731    |
| Income taxes  | 288,880    | 93,833    |
|   | 1,137,670  | 795,048   |
| <b>LONG-TERM DEBT</b>   |            |           |
| Bank loan—less current portion—secured (note 4)                 | 325,000    | 335,000   |
| 7½% mortgage loan due 1979, less current instalments of \$2,496 | 13,312     | 15,808    |
|   | 338,312    | 350,808   |
| <b>DEFERRED INCOME TAXES</b>                                    | —          | 38,400    |
|   | 1,475,982  | 1,184,256 |
| <b>SHAREHOLDERS' EQUITY</b>                                     |            |           |
| <b>CAPITAL STOCK</b>  |            |           |
| Authorized—2,000,000 shares without par value                   |            |           |
| Issued and fully paid—950,000 shares                            | 3,864,770  | 3,864,770 |
| <b>RETAINED EARNINGS</b>  | 642,627    | 230,633   |
|   | 4,507,397  | 4,095,403 |
|   | 5,983,379  | 5,279,659 |

Signed on behalf of the Board

 Director  
 Director



# Consolidated statement of earnings and retained earnings

## For the year ended September 30, 1972

## STATEMENT OF EARNINGS

|   | 1972        | 1971        |
|---|-------------|-------------|
| SALES   | \$6,951,296 | \$5,174,734 |
| COST OF SALES   | 5,430,102   | 4,116,856   |
| GROSS PROFIT  | 1,521,194   | 1,057,878   |
| SELLING AND ADMINISTRATIVE EXPENSES   | 792,159     | 757,232     |
|   | 729,035     | 300,646     |
| PROVISION FOR INCOME TAXES  | 317,041     | 108,680     |
| NET EARNINGS FOR THE YEAR   | 411,994     | 191,966     |
| EARNINGS PER SHARE BASED ON THE SHARES OUTSTANDING<br>AT SEPTEMBER 30, 1972 | 43 cents    | 20 cents    |

## STATEMENT OF RETAINED EARNINGS

|                           |            |           |
|---------------------------|------------|-----------|
| BALANCE—BEGINNING OF YEAR | \$ 230,633 | \$ 38,667 |
| Net earnings for the year | 411,994    | 191,966   |
| BALANCE—END OF YEAR       | 642,627    | 230,633   |



# Consolidated statement of source and use of working capital

## For the year ended September 30, 1972

| SOURCE OF WORKING CAPITAL            | 1972       | 1971       |
|--------------------------------------|------------|------------|
| Net earnings for the year            | \$ 411,994 | \$ 191,966 |
| Items not affecting working capital— |            |            |
| Depreciation                         | 198,668    | 182,103    |
| Deferred income taxes                | (38,400)   | (18,850)   |
| Provided from operations             | 572,262    | 355,219    |
| Bank loan                            | —          | 335,000    |
|                                      | 572,262    | 690,219    |
| USE OF WORKING CAPITAL               |            |            |
| Purchase of fixed assets (net)       | 397,206    | 567,363    |
| 7½% Mortgage instalments             | 2,496      | 2,496      |
| Bank loan                            | 10,000     | —          |
|                                      | 409,702    | 569,859    |
| INCREASE IN WORKING CAPITAL          | 162,560    | 120,360    |
| WORKING CAPITAL—BEGINNING OF YEAR    | 796,752    | 676,392    |
| WORKING CAPITAL—END OF YEAR          | 959,312    | 796,752    |



## Notes to consolidated financial statements

**1. PRINCIPLES OF CONSOLIDATION**

The financial statements include the operations of the wholly-owned subsidiary companies.

**2. INVENTORIES**

1972

1971

Inventories are classified as follows:

|                            |                  |                |
|----------------------------|------------------|----------------|
| Finished yachts            | \$ 297,253       | \$ 241,033     |
| Yachts in process          | 340,549          | 147,804        |
| Raw materials and supplies | 752,029          | 539,311        |
|                            | <b>1,389,831</b> | <b>928,148</b> |

**3. FIXED ASSETS AND CAPITAL COMMITMENTS**

Fixed assets and related accumulated depreciation comprise the following:

|                          | 1972             |                          |                  | 1971             |
|--------------------------|------------------|--------------------------|------------------|------------------|
|                          | Cost             | Accumulated depreciation | Net              | Net              |
| Land                     | \$ 110,756       | \$ —                     | \$ 110,756       | \$ 41,752        |
| Buildings                | 1,021,284        | 150,228                  | \$871,056        | 519,912          |
| Machinery and equipment  | 690,411          | 278,918                  | 411,493          | 377,829          |
| Construction in progress | —                | —                        | —                | 255,274          |
|                          | <b>1,822,451</b> | <b>429,146</b>           | <b>1,393,305</b> | <b>1,194,767</b> |

The cost to complete construction commenced in September, 1972 is estimated to be \$100,000.

**4. BANK LOAN**

The bank loan is secured by a general assignment of book debts and a floating charge debenture over the assets of the company and its subsidiary companies.

**5. FOREIGN EXCHANGE**

Assets and liabilities in United States dollars have been converted at the rate of exchange prevailing at September 30, 1972.

**6. STATUTORY INFORMATION**

The following amounts are included in the statement of earnings:

|  | 1972       | 1971       |
|--|------------|------------|
| Remuneration paid by the company and its subsidiary companies to the directors and senior officers (as defined by The Business Corporations Act, 1970) | \$ 137,703 | \$ 119,542 |
| Depreciation   | 198,668    | 182,103    |







'KETCH'—A cruising version of C & C 61 designed and built for a Toronto yachtsman.

